



## SECTION VI

### Policy, Regulatory, and Statutory Changes

#### Background

As noted throughout this report, some of our customers and partners made recommendations to improve the regulations and statutes that govern the Federal Student Financial Aid Programs. The Office of Student Financial Assistance (OSFA) has referred these recommendations to the Secretary, who is committed to a thorough review of these recommendations to determine which of these suggested changes can and should be pursued. Implementation by OSFA will, of course, await completion of that review and, if necessary, subsequent negotiated rulemaking or congressional action.

The recommended policy, regulatory, and statutory changes are as follows:

#### Policy/Regulation

Subject to Office of General Counsel (OGC) clearance, OSFA should partner with the postal service, motor vehicle departments, cultural and community organizations, fast food restaurants, and other such customer gathering places to help get the word out (*STU003, STU006*).

Forms, such as the *Free Application for Federal Student Aid* (FAFSA), and processes, like disbursement and reconciliation, are specified in regulations. Simplifying them would require regulatory change (*STU019, SCH044*).

Work with tax information software companies to transfer information from Form 1040 into our electronic application so everyone doesn't have to give the government income data twice (*STU020*).

Make applying on the web even easier and more secure. Subject to appropriate disclosures and privacy and security measures, work with IRS to effectively implement matching

Department of Education (the Department or ED) data with IRS data (STU026).

Distribute a revised Student Bill of Rights with every OSFA publication (STU035).

OSFA should work with the Department to find a new name, one that preserves the tradition of helping to put America through school and celebrates the new dedication to service, partnership, and financial responsibility (STU054).

Offer a choice of modern repayment options, including debit card, electronic debit accounting, and credit card payment (STU042, STU048). Provide incentives to borrowers that reward efficient methods and timely repayment (STU043). ED should also consider automatic salary withholdings (STU044), letting borrowers pay a fixed percentage of their income. That would satisfy many customers and allow OSFA to save money on collections. OSFA should also work with employees of the Debt Collection Service (DCS) to find ways to make their operations more effective, cost less, and be less confusing to customers (STU047, STU050).

In collaboration with the Department, using consistent sources (e.g., web site, press releases, “Dear Partner” letters) release information promptly about progress toward becoming a Performance-Based Organization (PBO), changes to products, and other information (SCH013).

A central theme of several recommendations is to concentrate less on process and more on results. Many regulations are written in the process mode (SCH025, SCH028, SCH030, SCH040, PAR020). A related recommendation would expand results-oriented experiments now limited by regulation (SCH029).

Another theme is to involve customers and partners in a regulatory reform effort. Public involvement is necessary for any regulatory change. We highlight these recommendations only because they *call* for broad regulatory change (SCH031, SCH039, SCH043).

Both schools and financial institutions recommended cost benefit analyses of new regulations (SCH041, PAR018).

One recommendation seeks a way to deliver aid to students at schools that are good academically, but which cannot administer the aid acceptably (SCH027).

---

*OSFA should work with the Department to find a new name, one that preserves the tradition of helping to put America through school and celebrates the new dedication to service, partnership, and financial responsibility.*

---

Schools want the Department to initiate the formal process of negotiated rulemaking to lighten their regulatory burden and shift the emphasis to performance — the same thing that Congress did when they made OSFA the nation's first PBO. Most of the rule changes that schools would like — simpler disbursement and reconciliation processes (*SCH044*) and performance-based program reviews (*SCH025*) — cannot be fully implemented without the participation of all stakeholders and new, negotiated regulations.

Common sense also dictates quick correction of the few schools that are way out of line due to incompetence or fraud. OSFA should create a rapid response team, calling on state accrediting and licensing agencies, guaranty agencies, the OGC and Office of Inspector General (OIG) for help when strong enforcement is needed (*SCH035*, *SCH036*).

Two recommendations involve letting schools use professional judgement to change students' estimated family contributions (*SCH063*, *SCH064*).

ED should put its financial partners on the same *performance* basis as Congress has put OSFA. Engage financial institutions in the same kind of regulatory reform effort called for by schools (*PAR002*, *PAR017*, *PAR021*), recognizing that all stakeholders must be engaged in the negotiated rulemaking process. Write regulations that consider results (*PAR018*, *PAR020*).

ED should begin the shift from red tape to results now, by reducing the burden of program reviews (*PAR011*, *PAR014*), offering more technical assistance (*PAR012*), creating awards for partners who perform well (*PAR013*, *PAR016*), and continuing ongoing efforts by putting an emphasis on audits. ED is already working on Voluntary Flexible Agreements with guaranty agencies to focus on results. OSFA should also create a rapid response team to deal with any financial institution that causes students problems (*PAR015*) or puts taxpayer interests at risk.

OSFA will work with the Department to expand the ed.gov web site to accommodate access to loan consolidation forms and electronic submission (*PAR039*).

## Legislation

One idea for making it easier to pay loans back is to authorize a voluntary tax refund offset (*STU049*).

Where possible, set consistent dates for implementation of regulatory change (*SCH043, PAR019*).

Employees who would like to pursue higher education recommended more flexible working hours and tuition reimbursement, both limited in law (*EMP005, EMP040*).

Repeatedly in surveys, federal employees say that government does a bad job of dealing with poor performers. It was the number one complaint of OSFA employees in the National Partnership for Reinventing Government (NPR) survey. Clear mission, goals, and incentives should solve most of the problem. But OSFA must be able to more quickly remove workers who can't or won't do the job (*EMP023, EMP024*). If necessary, OSFA will ask the Secretary to seek additional legislative authority.

Let employees select from a menu of non-salary benefits (*EMP041*).

Abolish time sheets in keeping with a culture of trust. Implement fully electronic exception reporting in lieu of time sheets (*EMP043*). Request early out and buy-out authority as a soft landing for employees close to retirement who do not want to continue working in the PBO (*EMP049*).

One group of borrowers believe they are caught in an unfortunate situation. They spent their borrowed money on schools that shut down before they graduated. The law lets OSFA write off such debts, but it's no help if the school closed in 1985 or earlier. Making the law retroactive may cost a lot of money (*STU046*).

Do a pilot project to allow state agencies to give ED the job of tracking Paul Douglas Scholarship recipients and of collecting repayment of the scholarship if the teaching requirements are not met and the scholarship turns into a loan (*PAR049*).

Even though regulatory reform will take time, OSFA should make a start now by developing performance plans in partnership with schools (*SCH024, SCH037, SCH038*), and rewarding schools that produce outstanding results (*SCH026, SCH068*), and involve schools in the process (*SCH055, SCH056*).

And there are others, as we look at implementation, that may have policy implications.

